

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY HILLS)	ORDER GRANTING
TELEPHONE COMPANY, INC. FOR)	CERTIFICATION
DESIGNATION AS AN ELIGIBLE)	
TELECOMMUNICATIONS CARRIER AND FOR)	TC04-204
CERTIFICATION REGARDING ITS USE OF	
FEDERAL UNIVERSAL SERVICE SUPPORT	

On May 23, 2001, the Federal Communications Commission (FCC) released an Order concerning the federal universal service support mechanism for rural carriers.¹ This Order (hereafter referenced as the "Fourteenth Report and Order"), in part, codifies at 47 § C.F.R. 54.314, a requirement for States to provide a certification regarding federal universal service support that is received by rural incumbent local exchange carriers and/or eligible telecommunications carriers providing service in rural service areas. Pursuant to such rule, a state that desires rural carriers within its jurisdiction to receive future federal universal service support must file an annual certification with the FCC and the Universal Service Administrative Company (USAC) stating that federal high cost support provided to such carriers within that State will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. This certification requirement applies to various categories of federal universal service support, including support provided pursuant to 47 C.F.R. §§ 54.301, 54.305, and/or 54.307, and/or 47 C.F.R. Part 36, Subpart F (high-cost loop support, local switching support, safety net additive support, and safety valve support). Support provided under these FCC rule provisions will only be made available in the future if the State Commission files the requisite certification pursuant to § 54.314.

The certification required for rural carriers to receive federal universal support for all four quarters during calendar year 2005 is currently due to be filed with the FCC and USAC on or before October 1, 2004. The certification may be presented to these entities in the form of a letter from the State Commission. The letter must identify which carriers in the state are eligible to receive federal support during the 12-month period and must certify that the carriers listed will only use the support for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

On September 21, 2004, the South Dakota Public Utilities Commission (Commission) received a filing from Hills Telephone Company, Inc. (Hills) requesting designation as an eligible telecommunications carrier and requesting certification regarding its use of federal universal service support. Hills stated that it has "entered into an

¹CC Docket No. 96-45, CC Docket No. 00-256, Fourteenth Report and Order, Twenty Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, FCC 01-157, Released May 23, 2001.

Agreement for the Purchase and Sale of Telephone Exchanges (the "Purchase Agreement") with Sioux Valley Telephone Company ("Sioux Valley") providing for the purchase and sale of the Valley Springs, North Larchwood, and East Valley Springs local telephone exchanges (collectively the "Valley Springs Exchanges") by Hills from Sioux Valley." This transaction will be completed when all of the regulatory approvals have been obtained. Hills further explained that "[t]he Valley Springs Exchanges are currently operated by Sioux Valley and are part of Sioux Valley's existing South Dakota study area. Sioux Valley has been designated as an ETC in its existing study area. Hills has petitioned the FCC for the creation of a new study area for Hills in South Dakota. Following the closing of the sale of the Valley Springs Exchanges, Sioux Valley will cease to serve as the LEC in the Valley Springs Exchanges. Hills will then begin serving as the LEC using the same facilities and offering the same services as those previously used and offered by Sioux Valley."

The purpose of the filing regarding certification was to provide information constituting Hills' plan for the use of its federal universal service support and to otherwise verify that Hills will use all federal universal service support received in a manner that is consistent with the federal universal service provisions of 47 U.S.C. § 254. As a part of its plan, Hills listed estimates of the support it expected to receive from USAC as well as its estimated costs for the provision, maintenance, and upgrading of facilities and services. An Affidavit was attached to the request for certification. Hills requested that "the Commission issue a finding that Hills has met the high-cost certification requirement and that Hills is, therefore, entitled to begin receiving USF support as of the date of the closing of the transactions contemplated in the Purchase Agreement in order that funding will not be delayed."

On September 23, 2004, the Commission electronically transmitted notice of the filing and the intervention deadline of September 28, 2004, to interested individuals and entities. No parties sought intervention.

At its regularly scheduled meeting of September 30, 2004, the Commission considered this matter.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26, 49-31, and 47 U.S.C. § 254. The Commission found that Hills is eligible to receive federal support as it states it will only use the support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. However, this certification is contingent upon the closing of the sale of the Valley Springs Exchanges to Hills from Sioux Valley. The Commission unanimously voted to approve Hills' request for certification, contingent upon the closing of the sale of the Valley Springs Exchanges to Hills from Sioux Valley. It is therefore

ORDERED, that the Hills is eligible to receive federal support as it states it will only use the support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. It is

FURTHER ORDERED, that the Commission approves Hills' request for certification, contingent upon the closing of the sale of the Valley Springs Exchanges to Hills from Sioux Valley .

Dated at Pierre, South Dakota, this 30th day of September, 2004.

<p style="text-align: center;">CERTIFICATE OF SERVICE</p> <p>The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.</p> <p>By: _____</p> <p>Date: _____</p> <p style="text-align: center;">(OFFICIAL SEAL)</p>

BY ORDER OF THE COMMISSION:

ROBERT K. SAHR, Chairman

GARY HANSON, Commissioner

JAMES A. BURG, Commissioner